

EXHIBIT C



GOBIERNO DE PUERTO RICO
Corporación Pública para la Supervisión y
Seguro de Cooperativas de Puerto Rico

COSSEC Fiscal Plan Revised Version (August 2017)

San Juan, Puerto Rico
August 4, 2017



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I. INTRODUCTION

INTRODUCTION

Executive Summary

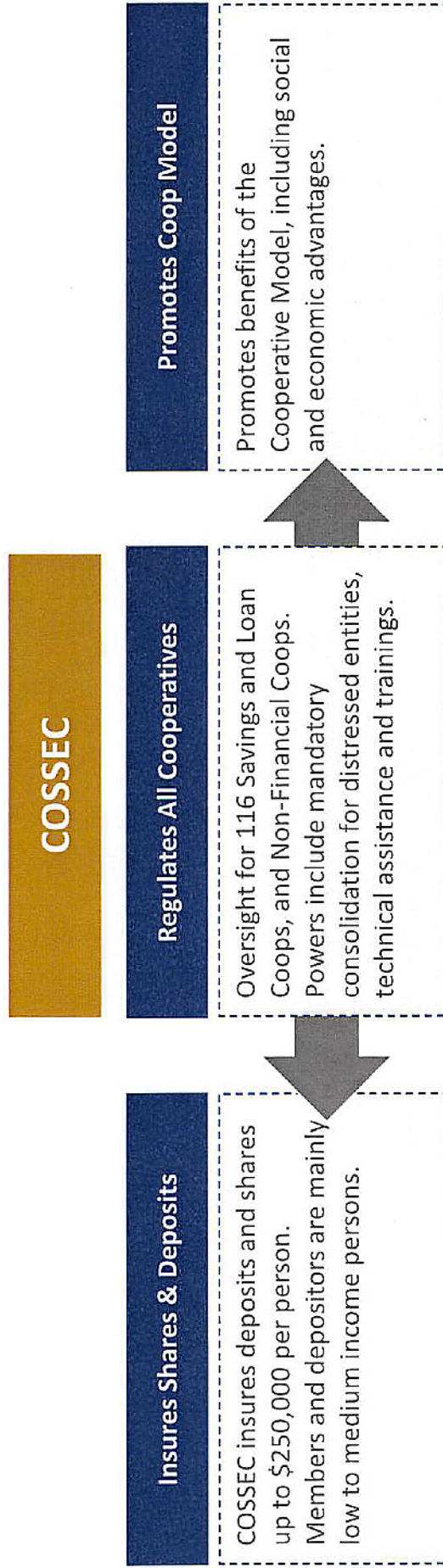
- COSSEC, though designated as a Covered Entity by the Oversight Board, has not issued public debt, is not a debtor of obligations that require restructuring, has no structural deficit, is able to pay all operational expenses, and is not dependent on central government funds.
- As insurer of deposits and shares in the Cooperatives (Coops), COSSEC faces heightened risks related to claims from insured clients due to (i) potential substantial losses at Coops that invested in bonds issued by the Government of Puerto Rico and its instrumentalities, and/or (ii) run-off of client deposits & shares, due to a perceived lack of confidence in the strength of the Coop system.
- COSSEC has adequate capital to perform its regulatory and insurance duties under ordinary and relatively stressed scenarios.
- Although the Cooperative System's loan portfolio has been performing adequately, showing great resilience during the economic recession, there is a high degree of concentration in PR Debt among Coops, that could compromise the solvency of some Coops.
- Nonetheless, given enough time, most Coops will be able to absorb investment losses related to PR debt ("special investments") under regulatory accounting treatment.

COSSEC will collaborate with the Government's effort to strengthen the system through broad governance reforms, to ensure that the cooperatives continue to contribute to Puerto Rico's economic growth



INTRODUCTION

COSSEC's must be distinguished from other Covered Entities who have submitted Fiscal Plans to the Fiscal Oversight and Management Board ("FOMB")



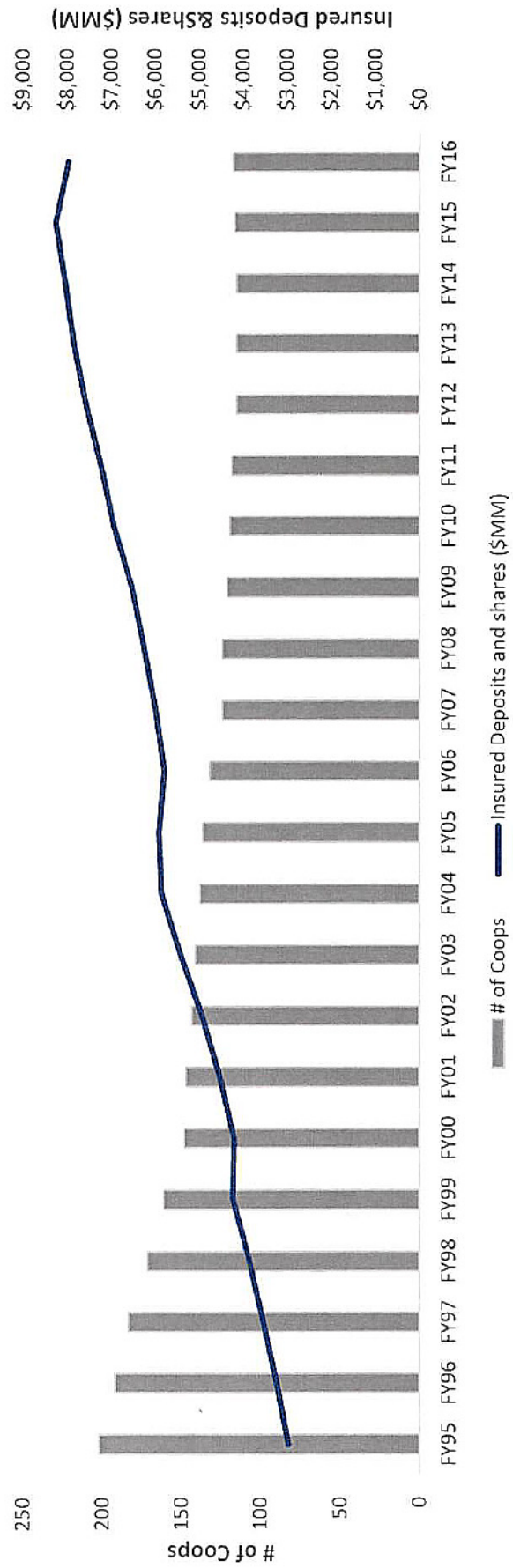
- COSSEC does not have an structural deficit, and comfortably covers its operating costs including employee benefits
- It is not dependent on General Fund, and generates revenues from premiums paid by member Coops and interest on its investments
- COSSEC's risk is mainly driven by extraneous factors and reputational risks, to wit:
 - Certain Coops have a high concentration risk in PR Debt
 - Major cuts as part of restructuring efforts of PR Debt will impact said Coops capital and income



INTRODUCTION

The Cooperative system is a pillar of the PR economy, serving as the main alternative to a highly concentrated commercial banking sector

- The Cooperative movement has a strong following in Puerto Rico with 116 savings and loans Coops holding \$7.9bn of deposits and shares for nearly 1 million customers (this compares to approximately \$45bn of deposits held by banks operating in Puerto Rico)
 - Coops have gained popularity in Puerto Rico as customers feel a greater sense of loyalty to their local institution, especially given that the Coops are owned by their shareholders rather than stockholders.
- The individual Coops are significantly smaller than the Puerto Rican banks and often offer a more personalized banking experience; the Coops are viewed as an important institution in many Puerto Rican municipalities, with the president of the local Coop often serving as one of the leading figures in the community
- While the number of individual Coops was falling in the years leading up to the financial crisis, the number has remained fairly stable since then as the Coops have taken market share from the banks. Over the same time period, the amount of insured deposits and shares at the Coops has increased nearly 170%, suggesting the migration of customers from banks to Coops

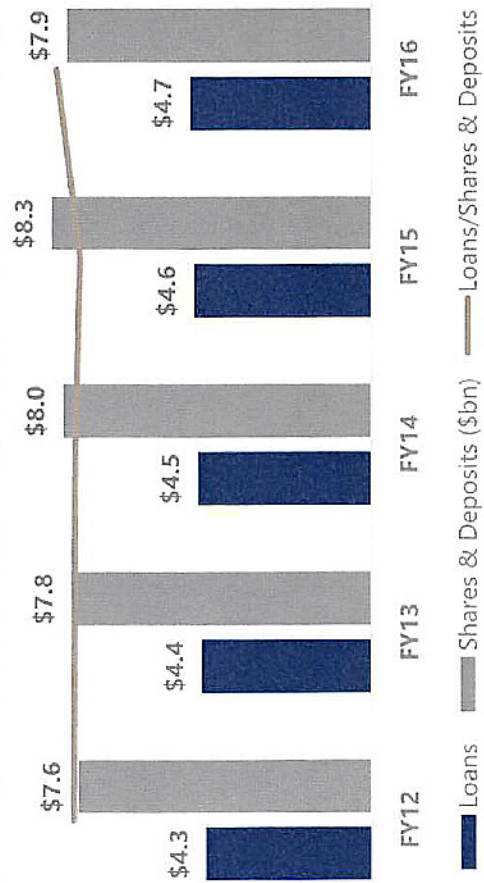


INTRODUCTION

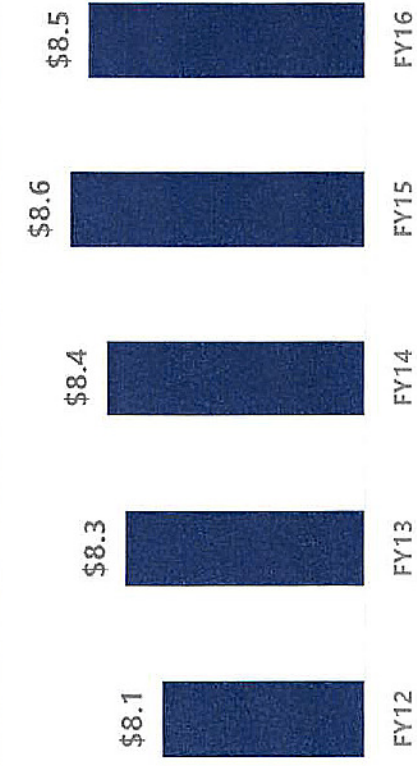
While its funding sources have remained stable over the years, the Coops have been able to grow their asset base

- System assets experienced 5% growth between FY12 and FY16 (1.2% CAGR); this was primarily due to a \$400MM increase in loan balances while cash and other assets remained flat
- This growth in loans was primarily funded via an increase in shares and deposits which accounted for \$350MM of the increase
- Over the 5 year period the ratio of loans / shares & deposits remained fairly constant in the 57-59% range
- The loan / shares & deposit ratio is well within the range targeted by many banks
- At less than 100%, this means that the Coops are able to fund all of their existing loans from member deposits and shares and are not forced to borrow short term funds to make loans. In addition, there is ample liquidity to satisfy deposit redemptions under normal circumstances and relatively stressed scenarios.
- By avoiding the timing mismatch between borrowing short term in the market to make longer term loans, the Coops are able to insulate themselves from a liquidity shock due to a loss of market access

Loans and Shares & Deposits (\$MM)



Total Assets (\$MM)

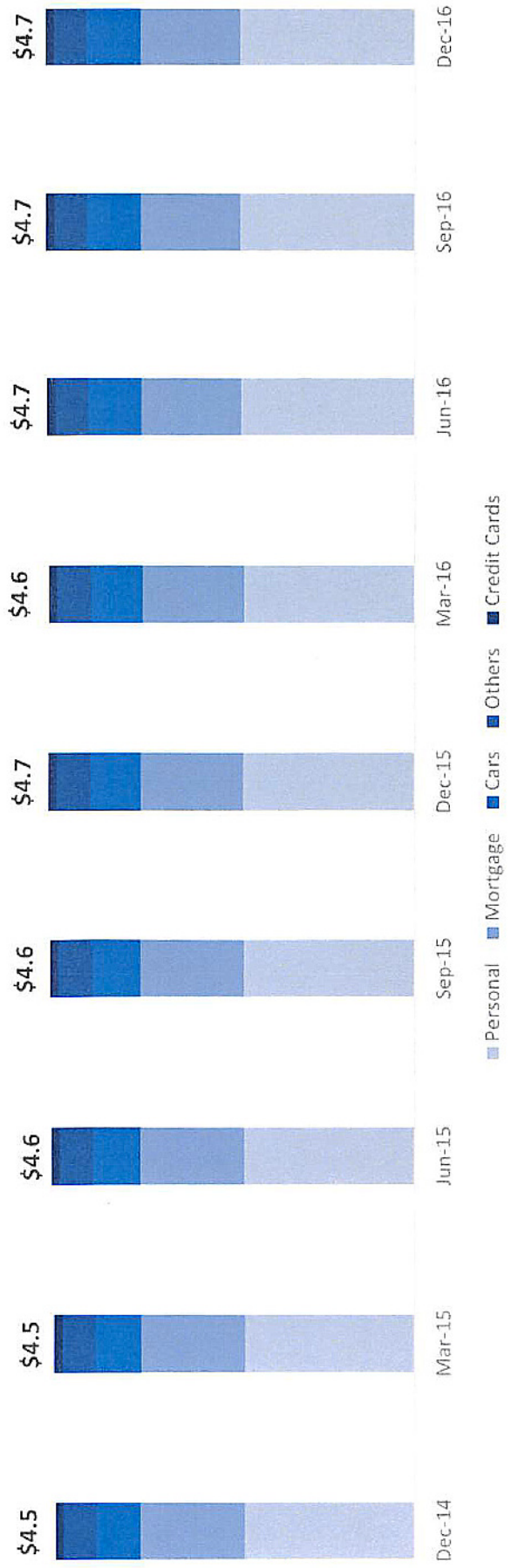


INTRODUCTION

Despite high rate of personal loans, risk adjusted losses are far lower than expected for similarly situated banks in the U.S. This is due to the high rate of pledged collateral (deposits and shares) as well as a high degree of loyalty that members have towards their Coop

- Coops generally serve the unbanked / underbanked community and are able to underwrite loans for clients that traditional banks may not engage. In the majority of cases, a member's deposits and shares are pledged as a guarantee for their loans
- Personal & Consumer loans make up the largest percentage of the Coops' aggregate loan portfolio (47% as of December, 2016); these are often unsecured loans, except for the pledge of existing deposits and shares, with relatively short terms
- Loans with physical collateral, such as mortgage and vehicle loans, make up 42% of the Coop's loan portfolio (as of December 2016); while some of these loans may be classified as non-conforming, the physical collateral reduces the likelihood of loss in a default scenario

Loans by Type (\$MM) as of December 2016

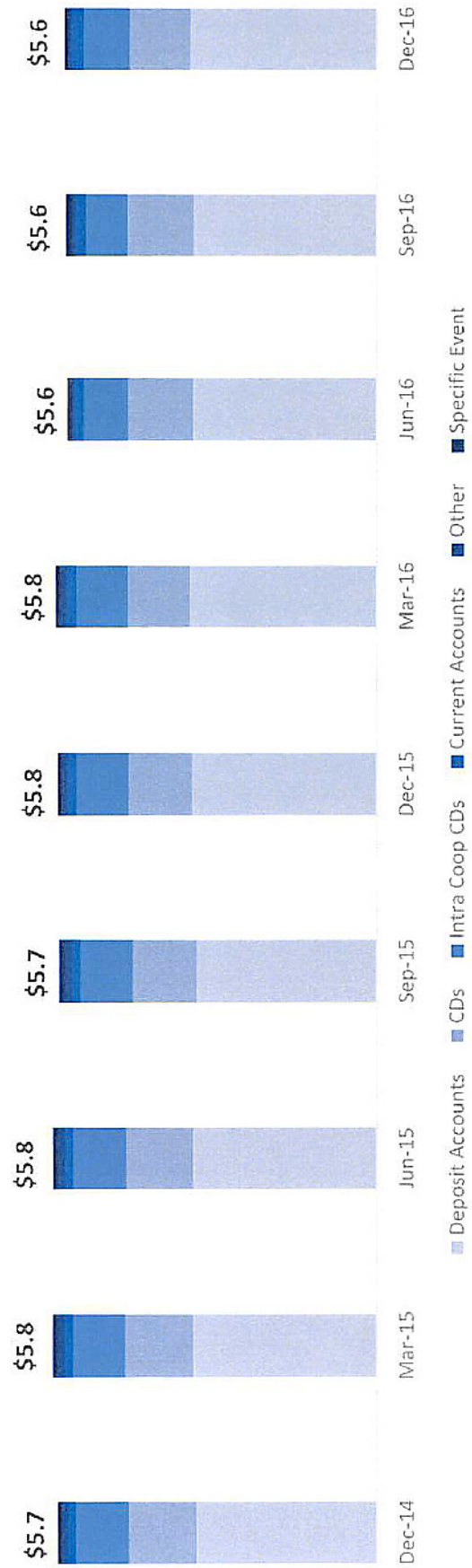


INTRODUCTION

Deposit base has been steady over the past two (2) years due to a loyal customer base who rely on the Coops for their banking and financing needs

- The largest category of deposits are MMDA & savings accounts (60% of total deposits as of December 2016); examples of these accounts include checking accounts where the customer has immediate access to their funds and in return receives a lower interest rate
- Term deposits, such as certificates of deposit, account for 35% of total deposits as of December 2016. In exchange for a higher interest rate, customers agree to “lock-up” their funds for longer periods of time and will pay a penalty if they need to access funds before the maturity date on the deposit
- While the proportion of time deposits is relatively high as compared to the typical U.S. bank (average of 32%), all of the Coop time deposits would be considered retail/core deposits, resulting in a core deposit ratio close to 100% (versus the U.S. bank average of 92%)

Deposits by Type (\$MM) as of December 2016



INTRODUCTION

The Coops are heavily invested in securities issued by the Puerto Rican government and its instrumentalities

- PR Government securities (\$976 MM) account for approximately 65% of the Coops total investment portfolio (\$1.5bn)
- The majority of Coops purchased PR government bonds at issuance and, due to regulatory accounting treatment, carry all of these “special investments” on their books at par value, even those bonds that trade well below par value
- GDB’s bonds, which comprise approximately 44% of Coop exposure to government securities, trade at a roughly 84% discount to par value; GO bonds, the Coops’ second largest governmental exposure, are trading at a roughly 41% discount
- Taken as a whole, the aggregate Coop investment in government bonds has a market value roughly 49% below the par
- Regulatory accounting treatment allows the Coops to amortize losses on special investments over a 15 year period; however, this will only benefit the Coops from an accounting standpoint as they will still suffer reductions in cash flow due to the likely restructuring of Government debt

Coops Investment in Government Securities (\$MM) as of April 2017

Issuer	Instruments	% of Portfolio	Amortized Cost	Market Value as of April 2017	Market Value/Amortized Cost
GDB	640	44%	\$459,297	\$75,703	16% ⁽¹⁾
GO	208	14%	114,712	67,380	59%
PRASA	112	8%	60,403	42,124	70%
PFC	106	7%	80,622	4,419	5%
COFINA	103	7%	88,909	40,009	45%
PREPA	100	7%	71,112	48,092	68%
PBA	80	5%	52,763	32,754	62%
HTA	29	2%	5,783	4,266	74%
ERS	27	2%	18,480	7,559	41%
Others	55	4%	24,210	12,518	52%
Total	1460	100%	\$976,291	\$334,823	49.2%

(1) On May 15, 2017 GDB signed an RSA with stakeholders detailing three possible recovery rates: Tranche A (55%), Tranche B (60%) and Tranche C (75%).



INTRODUCTION

COSSEC is projected to have sufficient reserves to cover expected losses. In the aggregated, ex-ante funding (net position + reserve for expected losses) is \$282.9 million for FY 2018

Numbers in (\$MM)	FY 2015	FY 2016	FY 2017	Non-audited balance sheet
Cash	\$6.4	\$4.2	\$4.5	
Investments	230.0	251.6 ⁽¹⁾	262.5	COSSEC's investments in PR Government securities is limited to less than 5% of its portfolio
Account Receivable	2.6	1.9	1.6	
COSVI Note	3.7	3.7	3.7	
Capital Assets	2.6	2.9	2.6	
Total Assets	\$245.3	\$264.3	\$274.9	
Accounts Payable & Accrued Expenses	1.6	1.0	3.0	
Obligations for Vacation and Absences	2.6	2.2	0.7	
Coop Investigation Reserve Fund	0.2	0.2	0.6	
Reserve for Expected Losses	28.0	107.9	107.9	Ex-ante funding: COSSEC maintains ex-ante funding to cover possible losses from revolving trouble Coops, represented by the aggregate of the Corporation's net position and its reserve for expected losses. As of June 31, 2017, COSSEC's ex ante funding was approximately 3.4% of total shares and deposits and is 98.5% supported by a \$262.5MM investment portfolio and cash accounts.
Total Liabilities	32.4	111.3	112.2	
Net Position	212.9	153.0	162.7	FY 2018 net inflows are expected to increase Net Position by \$20.9MM, resulting in projected total funds of \$282.9MM⁽²⁾
Total Liabilities & Net Position	\$245.3	\$264.3	\$274.9	

Note- COSSEC Balance Sheet is mark to market. Coops use R.A.P., which does not require mark to market of Puerto Rico bonds.

(1) Excluding exposure to PR debt, which represents 4% of the portfolio, the average rating of the investment portfolio is AA. (2) Net of \$500k for additional minimum cash



INTRODUCTION

Despite the Coops' large holdings of securities issued by the Government and its instrumentalities, COSSEC has accumulated enough reserves to ensure the Coop system remains solvent⁽¹⁾

COSSEC's reserve estimate per Actuary

Reserve for Expected Losses (Special Investments, based on ROA)	\$107,892,501
Reserve for Unexpected Losses (Based on other financial indicators)	\$52,276,276
Total Provision for Losses	\$160,168,777

- **TOTAL PROVISION:** A \$160 MM allowance has been estimated as sufficient for COSSEC to fulfill its role as insurer to the Coop system. This amount was reflected in the 2016 Financial Statements. It is comprised of:
 - **Expected Loss reserve:** \$108 MM was deemed necessary to cover losses arising from both the Coops' investment portfolio as well as regular operational losses that may be sustained in the next 15 yrs.
 - **Unexpected Loss Reserve:** A \$52 MM reserve, charged to unrestricted funds, was also included to cover any unexpected losses that may occur due to exogenous shocks or other factors that have not been specifically considered

(1) Estimates provided by actuaries in their annual actuarial reports provided to COSSEC as of June 30, 2016, collectively referenced as (the "Reserve Report"). These reports, entitled "Análisis De La Capacidad De Las Cooperativas De Ahorro Y Crédito Para Absorber El Impacto De Pérdidas Sobre Bonos De Puerto Rico" and "Informe Sobre Las Reservas Para Pérdidas Indicadas Al 30 De Junio De 2016", as well as other actuarial reports used in this plan, will be provided separately to the Oversight Board for their review.

Note: The analysis described in this section is the work of the actuaries.





II. COOPERATIVE SYSTEM CAPITAL & LIQUIDITY SCENARIOS

Special regulatory accounting treatment

- Under the previous Administration, on December 15, 2015, the Puerto Rico Legislature enacted Act 220-2015 to “lessen” the accounting parameters for the Coops with the purpose of improving the financial conditions of the cooperative system, “thus protecting its financial stability”.
- Act 220-2015 amended Act 255-2002, known as the “Cooperative Savings and Credit Corporation Act”, adding a chapter that sets different accounting requirements from the generally accepted accounting principles (“GAAP”) for Coops.
- In particular, it changed the accounting principles, standards and procedures for the presentation of what the legislation defines as “Special Investments” (i.e. investments in bonds and instruments of the Government of Puerto Rico).
- Pursuant to Act 220-2015, any losses attributable to Special Investments, both in the event of their disposition and also while held by the Coops, arising from the application of any rule, pronouncement, analysis or procedure provided by the generally accepted accounting principles or by requirements or pronouncements of regulatory agencies, shall be amortized over a period not exceeding fifteen (15) years.
- References made hereinafter to this statutory amortization may include, but are not limited to, the following: “regulatory accounting treatment”, “debt amortization”, “law 220 15 year amortization benefit” and “law 220 Amortization”.



All scenarios are based on market value of Government Securities as of April 2017

1 Capital Reserve Report
(amortization for losses assumed)

Capital Reserve Report is the actuarial report that measures the sustainability of Coops based on the ability to amortize the Government Securities losses over time by projecting historical ROA. During the second half of FY17, COSSEC's management requested to the actuaries an updated version of this report with 2016-Q4 financial data and the market value of its investments as of April, 2017.

2 Capital Reserve Report
(no amortization for losses)

Based on the same report, net reserves (reserves plus accumulated earnings or losses) were impacted by subtracting total PR debt losses instead of its amortized amount under regulatory accounting treatment.

3 Liquidity Report
(deposit run-offs)

Short term liquidity analysis stressing the cash and equivalent items available to Coops (subtracting cross deposits among Coops) under different deposit run-off scenarios in order to project possible individual needs.

Coops Investment in Government Securities (\$MM) as of April 2017

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Others	55	4%	24,210	12,518	52%
Total	1460	100%	\$976,291	\$334,823	49.2%

4 NCUA Report

NCUA performed an analysis of the Puerto Rico Cooperative System in March, 2016. COSSEC has updated the report to include market value of PR Government Securities as of April 2017 and the most recent data available for all insured Coops (2017-Q1).



COOPERATIVE SYSTEM CAPITAL & LIQUIDITY SCENARIOS

4 NCUA Report- In depth Analysis

NCUA assessed the ability of the Coop system to withstand a financial shock due to the state of PR Government Securities. COSSEC replicated NCUA's report that focused on two events a Capital and a Liquidity scenario.

Liquidity Scenario	Capital Scenario
Assumptions	<ul style="list-style-type: none"> Reported assets plus PR debt at amortized cost minus liabilities and deposits (including shares and uninsured) ALLL adjustment: add 50% of TDRs and 6+ mo. delinquent loans where greater than ALLL Other real estate owned (OREO) write-down of 50% 100% write-down of investment in COSVI Estimated loss to COSSEC based on <u>20% of assets</u> historical average loss given failure for FDIC and <u>NCUA</u>
Scenarios	<div> <div>1</div> <div>Including PR Debt at Market Value</div> </div> <div> <div>2</div> <div>PR Debt at Amortized Cost with amortization</div> </div>



III. COOP-SELF PROGRAM



COOP-SELF PROGRAM

COOP-SELF (the “Program”) will provide depositor confidence and ensure the long term sustainability of the Coop System and the Corporation

- The Program is designed to aggregate and organize system-wide resources to be deployed to strengthen the capital base of individual Coops and provide additional liquidity.
- **The initial proposal totaling \$533 MM in combined commitments, is comprised of approximately \$383 MM available for capital injections and an additional \$150 MM for liquidity in exchange for loan assets.**
- The Program will also aim to steer the system towards a path of long term sustainability.
- The oversight and implementation of the Program will be administered by the *Cooperative Technical Financial Task Force*, as per an Memorandum of Understanding (“MOU”).
- Under the MOU the parties will exchange information and provide assistance in connection with the monitoring of the financial situation, crisis management, recovery and mitigation.



COOP-SELF PROGRAM

Participants of Cooperative Technical Financial Task Force

Participants of Cooperative Technical Financial Task Force

COSSEC	<ul style="list-style-type: none"> Commitment to use up to \$283 MM for: (i) purchase of preferred shares of Coops in Emergency Situations (subordinated to any preferred shares purchased by BanCoop); or (ii) payment under deposit / shares insurance.
BanCoop⁽¹⁾	<ul style="list-style-type: none"> BanCoop and other Coop entities – Commitment to purchase up to \$100 MM in preferred shared of Coops in Emergency Situations, subject to such conditions and parameters as may be determined by the parties on a case-by-case basis. Preferred shares purchased would be senior to any preferred shares purchased by COSSEC. Commitment to purchase up to \$150 MM in loans of Coops in Emergency Situations, subject to such conditions and parameters as may be determined by the parties on a case-by-case basis.
FAFAA	<ul style="list-style-type: none"> Project management and financial advisory support through internal and external resources.
OCFI	<ul style="list-style-type: none"> PR financial institutions regulator and provide general support.
<p>The MOU provides the framework for the COOP-SELF initiative to provide liquidity and/or capital in an “Emergency Situation”. An Emergency Situation will be considered: (i) as any circumstance agreed by the parties in which financial or operational condition of a Coop has been materially impaired, or can reasonably be materially impaired, in a manner likely to affect the Coop’s operations and requiring consultation or coordination between parties; (ii) determined by COSSEC based on applicable law; (ii) other scenarios and situations that the parties considers it will require additional support to any particular Coop.</p>	

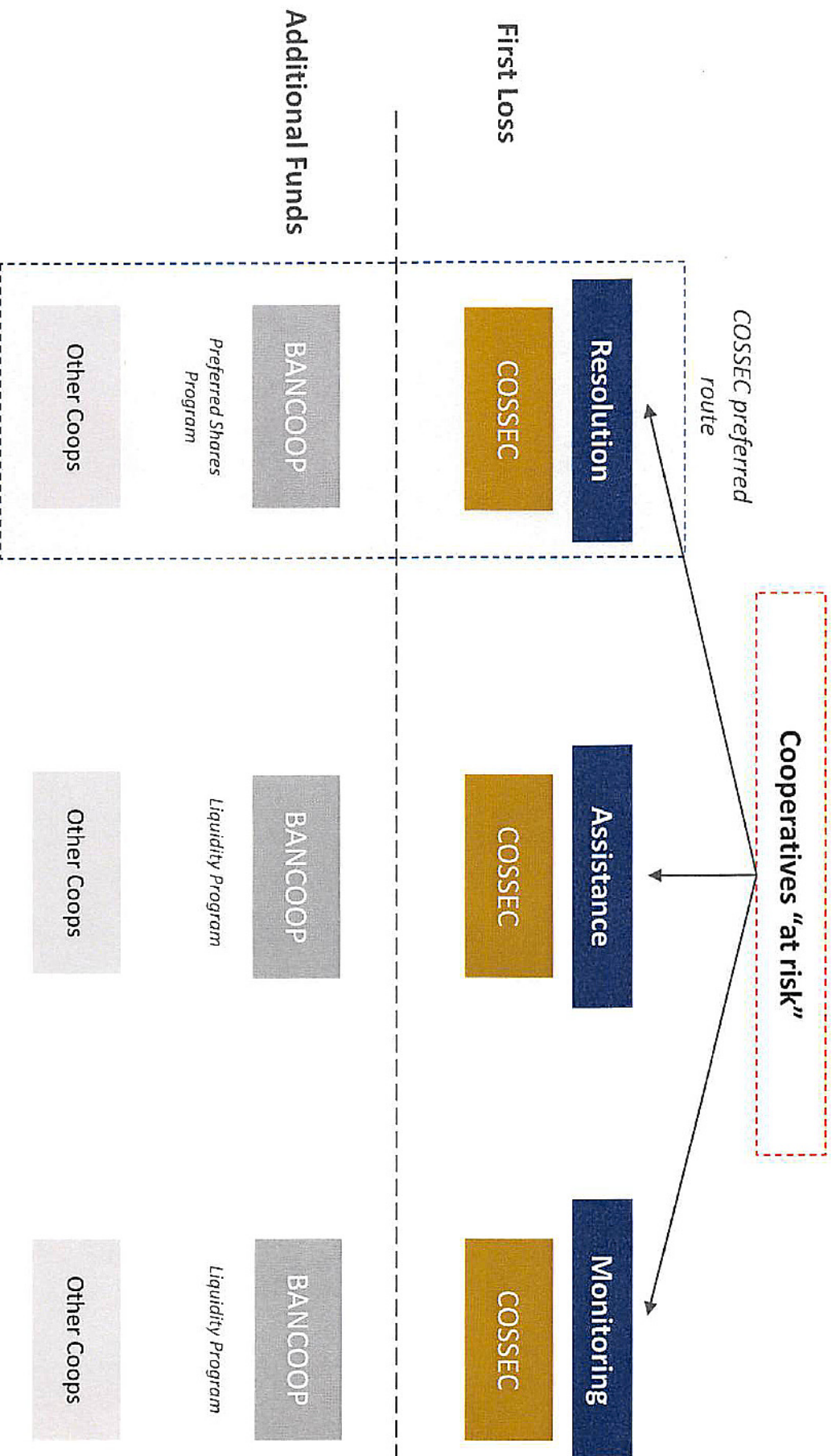
(1) BanCoop and other Coop entities will be invited participants, not member of the Task Force.





COOP-SELF PROGRAM

Per the MOU, COSSEC will be the first line of support under the Program for the Coops that are identified as "at-risk"



COOP-SELF PROGRAM

The Program will consist of approximately \$383 MM in capital support and \$150 MM in additional liquidity in exchange for loan assets

1	\$122.5 MM <u>COSSEC</u> additional available Capital	Available Capital	Capital Injection
2	\$107.9 MM <u>COSSEC</u> reserves for expected losses	Capital Reserved	Capital for Losses
3	\$52.5 MM <u>COSSEC</u> reserve for unexpected losses	Capital Reserved	Additional Capital Reserves
4	\$100.0 MM <u>BANCOOP & Other</u> capital injection program	Under review	Preferred Shares Program
5	\$150.0 MM <u>BANCOOP</u> loan acquisitions	Under review	Liquidity Program

\$533 MM in possible available system wide resources to the Coop System



COOP-SELF PROGRAM

Banco Cooperativo (“BanCoop”) is a commercial bank (non-FDIC insured) exclusively serving Puerto Rico Coops. It is owned by the Coops, although it has an independent governance structure

- BanCoop as the correspondent bank of most Coops has a real-time sense for the liquidity of its Coop clients. BanCoop clients represent approximately 95% of Coop System.
- As per the MOU, BanCoop will collaborate with COSSEC by providing:

1

Data Gathering

- All cash settlements of the BanCoop clients take place at its account, including credit card and Fed settlements

2

Monitoring

- As part of the MOU, BanCoop will cooperate with COSSEC on the monitoring and management of Coop System liquidity
- Including notifying COSSEC of increased deposit withdrawals trends and/or other liquidity events that fall outside of the business as usual pace



Federal Collaboration for technical assistance

On May 15, 2017 FAFAA sent the U.S. Department of Treasury and the National Credit Union Administration ("NCUA") a letter requesting technical assistance and support regarding several matters of the Fiscal Plan.

- 1 Provide an updated version of the numerical analysis performed by NCUA and discussed with our staff which pertains to the Financial Cooperativas insured by COSSEC; provide source data as well as the supporting documentation used in said analysis. This will allow us to broaden our analyses, and potentially evaluate this model as an additional and recurring analytical tool for COSSEC.
- 2 Technical, staffing and training support for the execution of COSSEC's Fiscal Plan implementation and resolution planning measures. Specifically:
 - (i) Share relevant rules and procedures for assisting, administering, consolidating, liquidating and merger institutions (both, voluntarily and forcibly);
 - (ii) Identify training resources regarding said rules and procedures;
 - (iii) Identify resources to participate in actual implementation of the afore mentioned processes; and
 - (iv) Provide any information regarding past experiences and recommended best practices for the implementation of emergency assistance, administration and mergers.
- 3 Recommendations for improving soundness in the governance structure of a financial regulator and insurer.
- 4 Information (including, presentations, supporting data, spreadsheets and memoranda,) regarding a Central Liquidity Facility or any liquidity contingency structure developed to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls.
- 5 Development of long term institutional reforms, including:
 - (i) Strategies to strengthen financial Cooperativas capital base;
 - (ii) Alternatives to insure deposits going forward and/or supplemental insurance structures; and
 - (iii) Orderly evolution of the regulatory and accounting framework of the Cooperativas into one that is consistent with NCUA standards.





IV. GOVERNANCE REFORMS

GOVERNANCE REFORMS

Claims of conflicts of interest due to statutory design have been made regarding COSSEC's various functions and its relation to the 116 Puerto Rico Cooperatives

- COSSEC regulates Puerto Rico's cooperatives and insures deposits; however, COSSEC is also governed by the entities it regulates.
 - Claims of conflicts have been made regarding COSSEC's multiple roles and the high level of Coop representation on the Board of Directors
 - Coop representatives have significant and at times, determining participation; this situation has the potential to cause conflicts of interest whereby these representatives may vote for actions that are in the best interest of the Coops but not necessarily in the best interest of COSSEC
- The problem with Coop investments is the lack of diversification caused by Regulation 7051 which require that Coops in adequate condition could invest in five bond markets (agencies, municipalities, treasury, corporations and CMOs) and Coops not in adequate condition in three markets (agencies, municipalities and treasury)
- In 2009, COSSEC issued a circular (Circular No. 09-03) authorizing the Coops to invest in securities issued by the Puerto Rican government and its instrumentalities, praising their tax-free benefits, liquidity, payment history and, for many, the GO guarantee that accompanied the bonds
 - While these bonds may have appeared to be safe investments at the time the circular was written, these bonds have since performed poorly and could suffer substantial losses due to a Government debt restructuring.
 - Several of the Coops feel they were unduly pressured into purchasing these bonds at the encouragement of the Government and that the Government has an obligation to address this issue



GOVERNANCE REFORMS

There is a need for COSSEC to have stronger and independent governance in order to exercise its role as a regulator and insurer of the Coop System

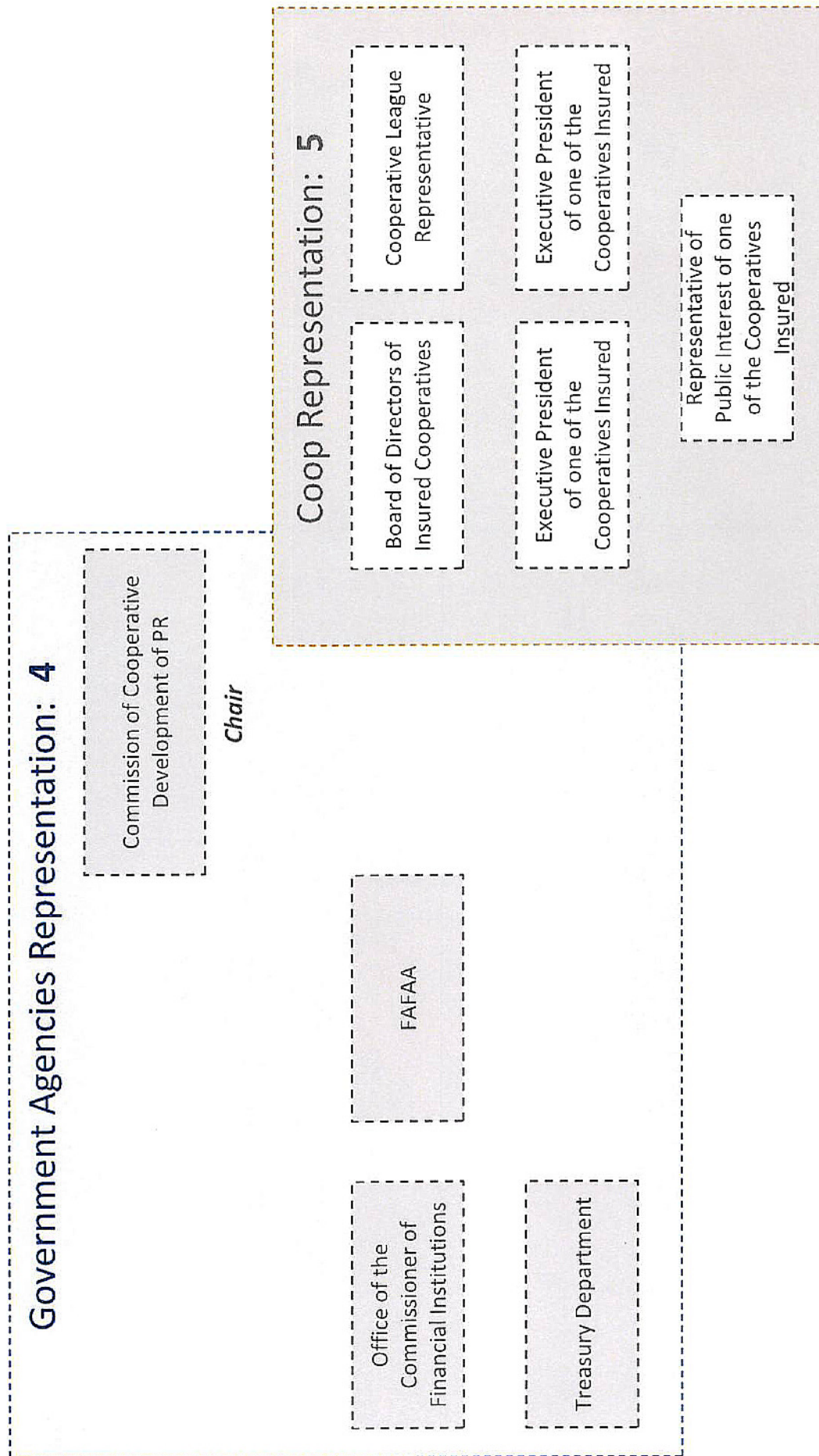
- Puerto Rico Act 114-2001, as amended, which creates the Corporacion Publica para la Supervision y Seguro de Cooperativas de Puerto Rico, provides for a Board of Directors composed of the following members:
 - the Cooperative Development Commissioner (Chairman of the BOD)
 - the Commissioner of Financial Institutions of Puerto Rico;
 - the Puerto Rico Treasury Secretary;
 - the Executive Director of FAFAA;
 - 3 representatives of insured coops selected by the vote of insured coops;
 - 1 representative of the Puerto Rico Cooperative League selected by the vote of insured coops; and
 - 1 private citizen representing the public interest
- The Board has approved by-laws through resolution that define the role and responsibilities of the Board. In summary, the Board is responsible for the governance and supervision of all the savings and loans coops and:
 - providing direct financial and managerial support to the coops, for which it may create, sponsor, structure, manage and/or administer funds and investment, liquidity and education programs;
 - approving rules and regulation regarding matters under COSSEC's jurisdiction;
 - taking such preventive or remedial actions necessary to reduce potential losses for insured coops and to minimize COSSEC's losses, including granting financial assistance to coops in cash or through the exchange of financial obligations; and
 - ensuring that COSSEC effectively complies with its duty to supervise the financial solvency of coops



GOVERNANCE REFORMS

The Coops have a majority in the composition of the Board. This has restricted COSSEC's ability to act as an independent regulator of the Coop System

Composition of COSSEC's Board of Directors:



GOVERNANCE REFORMS

Governance reform

- A new Committee must be created to assume the governance of COSSEC while its Fiscal Plan is in effect and being implemented.
- This new Committee shall exercise, exclusively, all powers granted to the COSSEC's Board of Directors.
- The Committee shall adopt by-laws for the administration of its internal affairs and may also adopt such standards, rules and regulations as may be necessary or convenient for the successful implementation of the Fiscal Plan.
- The Committee shall be the operating arm spearheading reforms and other actions, to further strengthen the Cooperative system and the Corporation, and insure a effective execution of the Fiscal Plan.



GOVERNANCE REFORMS

The Committee shall be responsible for the supervision and execution of the following initiatives:

Key Initiatives	
Capital and Liquidity Support	COOP-SELF Program Execution
Institutional Reform	<p>Supervise and execute all of COSSEC's enabling powers to carry out the Capital Injection Program, designed to infuse capital into Coops in order to facilitate mergers between Coops that are healthy and Coops that have been identified as "at-risk"</p> <p>Supervise and execute all of COSSEC's enabling powers to carry out the Preferred Shares Program and will allow the <i>Cooperative Technical Financial Task Force</i> to make targeted investments in Coops in order to have an additional capital layer to withstand losses due to PR debt exposure</p>
	<p>Submit a report on the appropriate model for a governance set-up that will ensure an independent Board of Directors in COSSEC and propose a long-term governance reform to the Puerto Rico Legislature.</p>
	<p>Provide alternatives to strengthen Coops capital base</p>
	<p>Conduct weekly liquidity tests to all Coops to detect a spike in deposit withdrawals or other liquidity events</p>
	<p>Determine cost-benefit analysis of COSSEC being both a regulator and insurer of deposits.</p> <p>Identify and adopt regulatory and accounting reporting standards and capital levels more consistent to that of Federal regulators</p> <p>Institute a monthly cash flow tool to better project the future health of Coops and provide going-concern analysis</p>



V. COSSEC FY '18 BUDGET & 10 YEAR FINANCIAL PROJECTIONS



COSSEC FY '18 BUDGET & 10 YEAR FINANCIAL PROJECTIONS

FY 2018 Budget – Expense Summary

	Budgeted	Projected	Variance
	FY 2016-17	FY 2017-18	\$ %
OPERATING EXPENSES			
Salaries and other personnel costs	\$8,434,200	\$8,827,200	393,000 4.66%
Acquired services	1,302,000	1,270,500	(31,500) -2.42%
Utilities	80,000	60,000	(20,000) -25.00%
Other operating expenses	1,172,500	1,188,000	15,500 1.32%
Travel and mileage expenses	355,000	408,000	53,000 14.93%
Professional services	1,336,000	585,600	(750,400) -56.17%
PROMESA and other related	500,000	535,000	35,000 7.00%
Equipment acquisitions (Non-capitalizable)	25,000	20,000	(5,000) -20.00%
Office supplies	71,000	87,000	16,000 22.54%
Public awareness	65,000	65,000	- 0.00%
Total operating expenses	\$13,340,700	\$13,046,300	(\$294,400) -2.21%
<u>Memo Item</u>			
Depreciation	576,000	544,500	(31,500) -5.47%



COSSEC FY '18 BUDGET & 10 YEAR FINANCIAL PROJECTIONS

FY 2018 Budget – Monthly Detail

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total
REVENUES													
Premium (from Premiums Actuarial Report)	24,539,203	-	-	-	-	-	-	-	-	-	-	-	24,539,203
Other revenue (Based on FY17 results)	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	974,625
Total	24,620,422	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	81,219	25,513,828
OPERATING EXPENSES													
Salaries & other personnel costs	735,600	735,600	735,600	735,600	735,600	735,600	735,600	735,600	735,600	735,600	735,600	735,600	8,827,200
Acquired services	105,875	105,875	105,875	105,875	105,875	105,875	105,875	105,875	105,875	105,875	105,875	105,875	1,270,500
Utilities	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Other operating expenses	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	1,188,000
Travel and mileage expenses	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	408,000
Professional services	48,800	48,800	48,800	48,800	48,800	48,800	48,800	48,800	48,800	48,800	48,800	48,800	585,600
PROMESA and other related	44,583	44,583	44,583	44,583	44,583	44,583	44,583	44,583	44,583	44,583	44,583	44,583	535,000
Equipment acquisitions	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,000
Office supplies	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	87,000
Public awareness	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	65,000
Total	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	1,087,192	13,046,300
OPERATIONAL SURPLUS / (DEFICIT)	23,533,230	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	(1,005,973)	12,467,528



COSSEC FY '18 BUDGET & 10 YEAR FINANCIAL PROJECTIONS

Despite the losses the cooperative system is expected to face, COSSEC is projected to have sufficient capital and cash flows to continue providing insurance and regulatory oversight to the system throughout the 10 year period

Assumptions / Drivers:

- The following projections include estimated losses (“haircut”) derived from the PR Bonds
- Insured shares and deposits are projected using GNP nominal growth rate from the Fiscal Plan for Puerto Rico dated March 13, 2017
- Deposit insurance premium maintains a historical 5 year average based on total deposits and shares insured starting at .30% in FY '18 increasing 1% YoY for the rest of the projection
- No special premiums are assessed during the projected period
- Minimum cash balance of \$5 MM at all times
- COSSEC's large liquid securities portfolio (CMOs from Fannie and Freddie \$93.3 MM, US Treasury and Agency securities \$74.7 MM and US corporate bonds \$65.8 MM) is projected to provide ample flexibility to cover cash needs throughout the projection period
- Assumes a yield of 2.76% on COSSEC's investment portfolio
- The \$3.7 MM loan to COSVI is assumed to roll at maturity



COSSEC FY '18 BUDGET & 10 YEAR FINANCIAL PROJECTIONS

10-Year Projection – Income Statement

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
(\$ millions)										
Operating Revenues:										
Regular Premiums	24.5	24.6	24.2	24.4	24.5	24.8	25.3	26	26.8	27.8
Other Revenue	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Operating Revenues	\$25.5	\$25.6	\$25.2	\$25.3	\$25.5	\$25.8	\$26.3	\$27.0	\$27.8	\$28.7
Operating Expenses:										
Employee Compensation And Benefits	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
General And Administrative Expenses	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)
Depreciation And Amortization	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Total Operating Expenses	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)
Operating Income	12.5	12.5	12.2	12.3	12.4	12.7	13.2	13.9	14.7	15.7
Non-Operating Income / (Expenses)										
Interest Income	8.2	7.9	8.5	9.0	9.6	10.2	10.9	11.6	12.3	13.1
Amortization Of Premium, Net Of Discount	-	-	-	-	-	-	-	-	-	-
Realized Gain / (Loss) On Investments	-	-	-	-	-	-	-	-	-	-
Net Increase / (Decrease) In Mkt Value Of Investments	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Income / (Expenses)	8.2	7.9	8.5	9.0	9.6	10.2	10.9	11.6	12.3	13.1
Change In Net Positions Before Capital Contributions	20.6	20.4	20.6	21.3	22.0	23.0	24.1	25.5	27.0	28.8
Coop Capital Contribution	0.3	-	-	-	-	0.2	0.8	1.2	1.6	2.1
Change In Net Positions	20.9	20.4	20.6	21.3	22.0	23.2	24.9	26.7	28.6	30.8



COSSEC FY '18 BUDGET & 10 YEAR FINANCIAL PROJECTIONS

10-Year Projection – Balance Sheet

(\$ millions)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Cash	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
Investments	282.9	303.3	324.0	345.3	367.3	390.5	415.4	442.1	470.7	501.5
Accounts Receivable	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
COSVI Note	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Capital Assets	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Assets	\$295.9	\$316.3	\$336.9	\$358.2	\$380.3	\$403.5	\$428.3	\$455.0	\$483.7	\$514.5
Accounts Payable & Accrued Expenses	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
Obligations for Vacation and Absences	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Coop Investigation Reserve Fund	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Reserve for Estimate Losses	107.9	107.9	107.9	107.9	107.9	107.9	107.9	107.9	107.9	107.9
Total Liabilities	\$112.2	\$112.2	\$112.2	\$112.2	\$112.2	\$112.2	\$112.2	\$112.2	\$112.2	\$112.2
Net Position	\$183.7	\$204.1	\$224.7	\$246.0	\$268.1	\$291.3	\$316.2	\$342.8	\$371.5	\$402.3
Total Liabilities & Net Position	\$295.9	\$316.3	\$336.9	\$358.2	\$380.3	\$403.5	\$428.3	\$455.0	\$483.7	\$514.5





VI. APPENDIX

Government Development Bank for Puerto Rico agreement under Title VI

On May 15, 2017 FAFAA and the GDB entered into a restructuring support agreement (“RSA”) with a significant portion of the GDB’s major stakeholders, including a vast representation of Cooperatives

Key Terms

1 New Bond Issuer

- New municipal SPV entity established for GDB bondholders and municipal depositors
- Assets transferred from GDB include (i) entire municipal loan portfolio, (ii) real estate assets available for sale, (iii) proceeds of certain public entity loans and (iv) excess cash. (total book value of \$5.3bn)
- Issuer will issue 3 tranches of bonds with varied coupon rates and upfront exchange ratios
- Menu approach: Holders can choose either Tranche A, B, or C
- Tranches A and B are secured by a first lien on Issuer’s assets and will be entitled to amortizing principal payments from available cash on a pari passu basis; Tranche C is secured by a second lien on Issuer’s assets and will not be entitled to any principal payments until the Tranche A and B bonds have been paid in full
- Interest paid semi-annually on all 3 Tranches of bonds; paid in PIK to the extent cash for distribution is insufficient

2 Menu of New Bonds

	Tranche A	Tranche B	Tranche C
Amortization + Collateral Priority	First	First	Second
Upfront Exchange Ratio	55%	60%	75%
Coupon (%)	7.50%	5.50%	3.50%

3 Alignment of GDB and COSSEC Fiscal Plans

- All stress scenarios included on the Fiscal Plan are based on the market value of PR Government securities as of April 2017. For GDB held securities the average market value as of April 2017 was \$0.16.
- COSSEC does not have any significant deposits with GDB⁽¹⁾.

(1) Approx. amount of deposits with GDB total \$66k

